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# Message Text

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20
ORIGIN EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 STR-01 FEA-01 AGR-05

CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07

INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02

OMB-01 AF-06 ARA-06 EA-06 NEA-09 /125 R

DRAFTED BY STR:AWOLFF;EB/ITP:MWGLITMAN:CLJ
APPROVED BY EB/ITP:MWGLITMAN
STR:WKELLY
COMMERCE:MR. FORREST
TREAS:PSUCHMAN
AGRI:GFRASER
EUR/RPE:AALBRECHT
---------- 069836
P R 270314Z FEB 75
FM SECSTATE WASHDC
TO USMISSION EC BRUSSELS PRIORITY
INFO USMISSION GENEVA

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E.O. 11652:N/A

TAGS: ETRD

SUBJECT: MTN: SUBSIDIES AND COUNTERVAILING DUTIES

GENEVA PASS MTN DELEGATION

1. SUMMARY: THE ESTABLISHMENT OF A SUBSIDY GROUP WILL BE DISCUSSED AT THE GATT NTB MEETING STARTING MARCH 4. IT IS IMPORTANT THAT THE EC IN FORMULATING ITS POSITION FOR THIS MEETING RECOGNIZE STATUTORY LINK IN DISCRETION IN U.S.
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COUNTERVAILING DUTY LAW TO REASONABLE PROSPECT THAT MTN

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LEAD TO SUCCESSFUL NTB AGREEMENTS. WE SHOULD SEEK EC COOP-
ERATION IN AVOIDING CONFRONTATION ON TREATMENT OF AGRICUL-
TURAL ITEMS IN NTBS AT MARCH 3 MEETING. END SUMMARY.

2. U.S. POSITION ON SUBSIDY WORK IS THAT DEVELOPMENT OF
CODE ON SUBSIDIES SHOULD BEGIN IN EARNEST AT FIRST SUBSIDY
WORKING GROUP MEETING AND SHOULD COVER INDUSTRIAL AND AGRI-
CULTURAL SUBSIDIES ALIKE. (FYI: U.S. WILL WORK TO SET
PRECEDENT FROM OUTSET THAT ENTIRE RANGE OF AGRICULTURAL NTB
ISSUES SHOULD BE NEGOTIATED IN NTB GROUPS.)END FYI. EC,
GIVEN PAST POSITION ON AGRICULTURE, IS LIKELY TO STATE FLAT-
LY THAT DISCUSSION ON AGRICULTURAL SUBSIDIES SHOULD BE
TRANSFERRED TO AGRICULTURE GROUP OR AT A MINIMUM THAT EC
SUBSIDIES BE TRANSFERRED TO AGRICULTURAL GROUP.

3. ASSUMING CRITERION 303(D)(2)(A) HAVE BEEN MET TRADE
ACT COUNTERVAILING DISCRETION (SECTION 303(D)(2)(B) AND
(C) AS AMENDED BY SECTION 331 OF TRADE ACT REQUIRES
REASONABLE PROSPECT THAT SUCCESSFUL TRADE AGREEMENTS WILL
BE ENTERED INTO UNDER U.S. NTB AUTHORITY. IN ADDITION,
IT MUST BE FOUND THAT TO COUNTERVAIL WOULD JEOPARDIZE
SATISFACTORY COMPLETION OF SUCH NEGOTIATIONS. WHILE
STATUTE ADDRESSES ITSELF TO SUCCESSFUL TRADE AGREEMENTS ON
NTBS GENERALLY, AS A POLITICAL MATTER, IT WILL BE NECES-
SARY TO MAKE PROGRESS IN NEGOTIATION ON SUBSIDIES IN ORDER
TO AVOID COUNTERVAILING. NOTE THAT 303(D)(1) CALLS FOR
NEGOTIATION OF INTERNATIONAL RULES ON SUBSIDIES AND
COUNTERVAILING DUTIES.

4. EC SHOULD UNDERSTAND THAT CONVINCING EVIDENCE OF
REASONABLE PROSPECT FOR SUCCESSFUL NTB AGREEMENTS IS
UNLIKELY TO BE PRESENT IF IN ACCORDANCE WITH SECTION 103
OF THE TRADE ACT AGRICULTURAL NTB ISSUES ARE NOT BEING
NEGOTIATED IN CONJUNCTION WITH INDUSTRIAL NTBS.

5. EC SHOULD UNDERSTAND THAT PARA. 4 DOES NOT IMPLY THAT
U.S. HAS MADE A DETERMINATION UNDER SECTION 303(D)(2)(A)
OF TRADE ACT ON ANY OUTSTANDING CASE (ESPECIALLY DAIRY).
MEETING PARA. 4 CRITERIA WOULD NOT ENSURE THE U.S. WOULD
EXERCISE DISCRETION, BUT WOULD HELP PROVIDE A BASIS FOR
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FAVORABLE FINDINGS UNDER SECTIONS 303(D)(2)(B) AND (C).
AS EC AWARE, ALL THREE CRITERIA MUST BE SATISFIED BEFORE
DISCRETION CAN BE EXERCISED.

6. WE UNDERSTAND THAT GIVEN FACT NTB MEETING IS NEXT
WEEK, EC MIGHT NOT BE IN A POSITION TO FULLY AGREE WITH
U.S. ON TREATMENT OF AGRICULTURAL SUBSIDIES BY MARCH 4.
EC SHOULD BE URGED TO JOIN US IN AVOIDING INFLAMMATORY

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AND NEGATIVE STATEMENTS AT NTB MEETING OVER QUESTION OF HOW AGRICULTURAL SUBSIDIES WILL BE TREATED IN NTB GROUPS.

7. ACTION REQUESTED: MISSION SHOULD CONTACT COMMISSION AT APPROPRIATE LEVEL TO CONVEY ABOVE AS A MATTER OF IMPORTANCE TO UNITED STATES EC RELATIONS. KISSINGER

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# Message Attributes

**Automatic Decaptioning:** X
**Capture Date:** 01 JAN 1994
**Channel Indicators:** n/a
**Current Classification:** UNCLASSIFIED
**Concepts:** SUBSIDIES, COUNTERVAILING DUTIES, MEETINGS, TRADE AGREEMENTS
**Control Number:** n/a
**Copy:** SINGLE
**Draft Date:** 27 FEB 1975
**Decaption Date:** 01 JAN 1960
**Decaption Note:**
**Disposition Action:** RELEASED
**Disposition Approved on Date:**
**Disposition Authority:** MorefiRH
**Disposition Case Number:** n/a
**Disposition Comment:** 25 YEAR REVIEW
**Disposition Date:** 28 MAY 2004
**Disposition Event:**
**Disposition History:** n/a
**Disposition Reason:**
**Disposition Remarks:**
**Document Number:** 1975STATE044059
**Document Source:** CORE
**Document Unique ID:** 00
**Drafter:** AWOLFF;EB/ITP:MWGLITMAN:CLJ
**Enclosure:** n/a
**Executive Order:** N/A
**Errors:** N/A
**Film Number:** D750068-0856
**From:** STATE
**Handling Restrictions:** n/a
**Image Path:**
**ISecure:** 1
**Legacy Key:** link1975/newtext/t1975026/aaaaafix.tel
**Line Count:** 121
**Locator:** TEXT ON-LINE, ON MICROFILM
**Office:** ORIGIN EB
**Original Classification:** LIMITED OFFICIAL USE
**Original Handling Restrictions:** n/a
**Original Previous Classification:** n/a
**Original Previous Handling Restrictions:** n/a
**Page Count:** 3
**Previous Channel Indicators:** n/a
**Previous Classification:** LIMITED OFFICIAL USE
**Previous Handling Restrictions:** n/a
**Reference:** n/a
**Review Action:** RELEASED, APPROVED
**Review Authority:** MorefiRH
**Review Comment:** n/a
**Review Content Flags:**
**Review Date:** 16 APR 2003
**Review Event:**
**Review Exemptions:** n/a
**Review History:** RELEASED <16 APR 2003 by KelleyW0>; APPROVED <19 MAY 2003 by MorefiRH>
**Review Markings:**

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EO Systematic Review
05 JUL 2006

**Review Media Identifier:**
**Review Referrals:** n/a
**Review Release Date:** n/a
**Review Release Event:** n/a
**Review Transfer Date:**
**Review Withdrawn Fields:** n/a
**Secure:** OPEN
**Status:** NATIVE
**Subject:** MTN: SUBSIDIES AND COUNTERVAILING DUTIES GENEVA PASS MTN DELEGATION
**TAGS:** ETRD, US
**To:** EC BRUSSELS
**Type:** TE
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006